

Seattle City Light: Transition and Transformation



Second Annual Report of the Seattle City Light Advisory Board

Seattle, Washington
January 31, 2005

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I. Introduction

2004 has been a year of transition and transformation for Seattle City Light – toward restoring trust and confidence in its capacity to deliver reliable, low-cost, and environmentally responsible power in the years ahead. In its First Annual Report, the Seattle City Light Advisory Board¹ provided a road map for City Light to realize this vision.² The Mayor and City Council embraced the direction charted for City Light in the Board's Report³ and developed a set of goals and expectations for Jorge Carrasco, the new Superintendent.⁴

Working together, the Mayor, the Council, and the new Superintendent have made an excellent start toward achieving these goals and expectations. However, given the breadth and magnitude of the work to be done, meaningful progress and ultimate success will require months, if not years, of sustained and focused effort. In this Second Annual Report, we will provide an overview of the progress made during 2004 and our expectations and priorities for 2005, the final year of our charter from the City.

¹The Mayor and City Council created the Seattle City Light Advisory Board in January 2003 "to provide expert industry-specific knowledge and nonpartisan advice to the Mayor, the Council, and the City Light Superintendent on key energy issues facing the City." (Ordinance 121059, January 27, 2003.) The Board consists of six members: three appointed by the Mayor, three by the Council, and all six confirmed by the Council. The members are: Carol Arnold, Randy Hardy, Jay Lapin, Sara Patton, Gary Swofford and Don Wise. They bring a diverse range of experience and expertise in business, law, finance, energy efficiency, environmental protection, utility operations and power/risk management. (See Appendix for the background of the members.)

²"Seattle City Light: From Recovery to Stability and Security – First Annual Report of the Seattle City Light Advisory Board," Seattle WA, January 29, 2004, http://www.cityofseattle.net/light/news/advisory/docs/report_01_29_04.pdf.

³Letter from Mayor Gregory J. Nickels to Don Wise, Chair of the City Light Advisory Board, March 16, 2004, http://www.cityofseattle.net/light/news/advisory/docs/NickelsToWise_03_16_04.pdf Letter from Council President Jan Drago, et al., to Don Wise, March 4, 2004, <http://www.cityofseattle.net/light/news/advisory/docs/CouncilAdvBdResponse.pdf>.

⁴Letter outlining goals and expectations for City Light Superintendent to Mayor Gregory J. Nickels from Council President Jan Drago and Councilmember Jean Godden dated February 2, 2004. Letter of response from Mayor Gregory J. Nickels dated February 2, 2004.

II. 2004 Progress Report

The four key recommendations of the Board's First Annual Report were:

- to **strengthen City Light's financial condition** through higher cash reserves and lower debt;
- to **improve City Light's risk management** processes in the face of an increasingly volatile operating environment;
- to **implement strategic planning** and periodic integrated resources planning to link City Light's annual operating plans and budgets to appropriate long-term goals and initiatives; and to strengthen City Light's organizational and management systems and practices to **become a "High Performance Organization"** that is accountable for restoring the rate advantages of public power to its customers, while maintaining its leadership on the environment, its commitment to the needy, and otherwise meeting its public service obligations to the City and all its citizens.

Strengthen City Light's Financial Condition.

● **Financial Policy.** City Light is still recovering from the West Coast Energy Crisis of 2000 and 2001. In 2004, the utility paid off the short-term debt it had incurred to finance operating deficits during the crisis. However, continuing dry weather and low streamflows caused City Light to earn less revenue from its wholesale sales of surplus power during 2004 than had been anticipated. As a result, City Light paid off its short-term debt almost one year later than planned and accumulated a smaller cash reserve and greater long-term debt.

City Light can position itself to deal with another crisis if it stays the course under the existing Financial Policy. This policy requires that rates generate enough revenue to meet current cash needs in most bad water years and enough revenue "on average" to allow City Light to reduce its dependence on long-term debt to finance needed capital projects. The Advisory Board strongly supported the existing Financial Policy, which was adopted by Mayor and Council in 2001. In addition, the Board made two recommendations to strengthen it:

First, the Board recommended that the size of the contingency cash reserve, which is intended to avoid emergency rate increases during extreme weather and market conditions, be raised from \$25 million to \$100 million. This level is more in line with the reserves maintained by other well-rated public utilities. Increasing the amount of the cash reserve would have no adverse impact on rates because the cash to fund the increase in this reserve can be transferred from an existing Bond Reserve without significant cost or risk to the utility.

Second, the Board recommended that the Financial Policy should be amended to establish an explicit target for the percentage of the utility's total capital to be funded by long-term debt. From a current debt ratio that is well over 80%, City Light would be better positioned to deal with an uncertain future if this ratio dropped below 60% by 2011 (the year its contracts with BPA expire) and eventually reached a targeted ratio of 50%. Under current forecasts and with appropriate fiscal discipline in its capital budget, meeting these targets should not require any change in rates from those otherwise prescribed under the existing Financial Policy. However, without clear and mandatory targets, there is a risk that the critical long-term goal of reducing debt will be too easily surrendered to short-term pressures.

In the fall of 2004, City Light developed draft ordinances to implement the Board's two recommendations. The Mayor submitted proposed versions of those ordinances to the City Council with the 2005-2006 budget. The Board is satisfied with the substance of the ordinances. We have some reservations, however, with the proposed "lock box" procedure for accessing and restoring the cash reserve. Under the proposed ordinances, the cash reserve would be established by a vote of the people and an amendment to the City Charter. Changes to the cash reserve would require another Charter Amendment. While we agree that any measure establishing the cash reserve should protect against capricious or inappropriate use, flexibility to respond to changing circumstances may be even more important to City Light than the "lock box" as currently proposed.

Standard & Poor's and Moody's both upgraded the outlook for City Light's bond ratings in December of 2004. The improvement in ratings was based upon City Light's willingness to adhere to its financial plan and was predicated upon stable rates. Moody's noted with approval the Board's long-term financial recommendations.

● ***Rate Review.*** The Board's recommended amendments to the Financial Policy should be adopted in 2005. Rate review initially got under way in early 2004 with the convening of a Rates Advisory Committee.⁵ The Council also held hearings on various elements of the City's rates policies and adopted a comprehensive rates policy Resolution.⁶ A new rates proposal from the Mayor and further review by the Council were deferred as it became clear that, given City Light's financial condition, no significant change in rates was warranted under the existing Financial Policy. As more fully discussed below, the Board believes that this could also be true in 2005.

The Mayor recently initiated a review of City Light's revenue requirements, cost allocation, and rate design. The review of City Light's current forecast of its long-term revenue requirements is a prelude to the development of a 2005 rates proposal, and he has invited the Board together with Council staff and City Light to participate. It will be essential for the Mayor and the Superintendent to coordinate and integrate this rate review with City Light's on-going strategic and financial planning.

● ***Transfer Payments.*** The Board also held several meetings exploring transfer payments from City Light to the City. Although the resolution of litigation clarified the legal status of certain transfer payments from City Light to the city, including payment for street lighting, the Board began exploring whether City Light's payments for city services are appropriate from a management perspective and whether City Light is getting good value in return for these payments. We expect to take a closer look at these payments in 2005 in shaping the Board's governance recommendations.

Improve City Light's Risk Management.

● ***Risk Management Strategies.*** Managing the risks and uncertainty of City Light's operating environment is critical to restoring and maintaining stability and security for City Light and its customers. The Mayor and Council adopted important risk management strategies in the wake of the 2001 Crisis when they decided that: (1) City Light would increase its long-term power supplies to avoid a shortage of power, necessitating potentially ruinously expensive wholesale

⁵ The Board coordinated with the RAC through a liaison member and invited a member of the RAC to attend Board meetings

⁶ City Council Resolution Number: 30685 adopted June 14, 2004

power purchases, except in extreme water conditions – the so-called “95% coverage policy”; and (2) rates would be set at a level to assure that the City would avoid operating deficits in all but the most adverse conditions. While these two risk management strategies protect City Light and its customers from the kinds of risks experienced during the 2001 Crisis, they expose the utility to other risks that require additional management strategies and procedures.

The 95% Coverage Policy means that City Light will have surplus power to sell in 19 years out of 20. Therefore, net surplus wholesale power revenues have become a critical element of City Light’s cash flow. The volatility in these revenues can easily exceed swings of \$100 million from year to year. Clearly, City Light needs a strategy to manage this volatility – to optimize revenues over time without exposing the utility to severe downside risks in any given year.

City Light’s recent strategy for risk management of its surplus power had been to sell some portion of its estimated surplus in advance (“sell forward”) as soon as there was a reasonably reliable water forecast. However, this strategy was implemented without reliable metric parameters to guard against decision-makers “guessing wrong” about whether there would actually be a surplus in the month when the obligation to fulfill the sales forward arrived. More recently, a conservative approach of selling forward only the quantity of surplus power available in the worst streamflow condition has been adopted. The statistical tools for measuring revenue at risk developed by City Light late in 2003 may continue to prove useful, but must be supplemented with additional analytics and policy guidance to achieve acceptable risk parameters.

During 2004, the Superintendent retained Pace Global, a national consulting firm, to help City Light develop a better risk management strategy for its surplus wholesale power revenues and to address organizational and other issues relating to City Light’s risk management. The consultants are in the process of assessing the utility’s risk profile; recommending a comprehensive array of financial instruments to address City Light’s unique risks; and providing recommendations on organizational structure, policies and procedures, analytical tools, and software systems. Pace Global is evaluating tools and strategies for risk mitigation, including swing options, weather derivatives, use of hydro-mitigating bilateral strategies, and power price swaps. The Board expects that the Pace Global recommendations will guide the Superintendent and the policy-makers to finally and definitively develop and implement a risk management capability and associated strategies early in 2005.

There are always policy trade-offs in the area of risk management and it is appropriate that the choices be clarified so that they are made with a real understanding of the consequences. For example, to be consistent with the 95% coverage policy, City Light should constrain the hedging activity in its power supplies to keep the risk of a shortage of power within the 95% parameter. This may mean that, on average, less wholesale revenue will be realized than from a more aggressive trading strategy. Similarly, assuming reliable alternative hedges, the cost of such hedges needs to be weighed against the increased assurance of a predictable revenue stream. And, as we recommended last year, the City should revisit the costs and benefits of the 95% Coverage Policy itself and consider whether a lower confidence limit, along with a stronger risk management process, would make more sense in the current environment.

● ***Organizational Change.*** Another source of risk in City Light's wholesale power portfolio arises in connection with the "tactical" or execution risk of individual transactions to implement the risk strategy. City Light has a set of rules governing its Power Marketing group that outside auditors and consultants have concluded are substantially appropriate and sufficient. However, the auditors, two outside consultants, and the Advisory Board's First Report have consistently criticized City Light's organizational structure. In "best practice" utilities, the risk management, oversight, and compliance functions of the "Middle Office" of a power marketing operation are independent of power marketing leadership. At City Light, the Middle Office reports directly to the head of Power Marketing and may be insufficiently focused on and responsive to risk management concerns. We understand that this situation will be remedied early in 2005 as a part of the overall risk management implementation initiative.

● ***Partnering for Risk Management.*** Some utilities have partnered with organizations that have aggregated a high level of power marketing and risk management expertise that smaller individual utilities cannot sustain. The Board urges City Light to consider the feasibility of joint wholesale marketing efforts and risk management efforts with other Northwest utilities.

Implement Periodic Strategic and Integrated Resources Planning

● ***Strategic Planning.*** The Final Report of the Mayor's City Light Review Committee, published October 2002, concluded that one of the most serious governance failures at City Light was the lack of any explicit multi-year plans or strategies to constrain and focus the utility's annual operating plans and day-to-day decision-making and to guide the policy makers. Indeed, one of the consistent complaints we heard from City Light staff was that major decisions often appeared to be arbitrary and lacked consistency of direction.

The Advisory Board strongly agreed in its First Report that City Light should implement periodic multi-year planning to link City Light's annual operating plans and budgets to appropriate long-term goals and initiatives. This strategic planning should not become an intellectual or "off-line" exercise that results in a thick volume which sits on a shelf and is ignored. Instead, planning should be a living process, revisited regularly and relevant to the utility's investment and operational decisions. City Light has taken a good, solid first step toward this outcome with the development of the Superintendent's Organizational Priorities.

The new Superintendent is laying the groundwork for a strategic planning exercise that will also be implemented in 2005, defining the Vision, Mission and Values of the organization as well as identifying its Strategic Initiatives. As noted above, the Board believes this strategic planning exercise is critical and must be integrated into a regular multi-year planning cycle and tied in to the annual operating and capital budgets of the utility. We applaud the Superintendent's support for this approach.

● ***Integrated Resource Planning.*** One of the most important elements of the strategic plan for a utility is the Integrated Resources Plan (IRP), by which the utility assures that its resource portfolio will meet the future energy needs of its customers at reasonable cost and risk. City Light has not undertaken a comprehensive IRP process in over 10 years. The Superintendent has initiated a study of the resource requirements and planning models for City Light in 2005.

While SCL does not have any near term resource acquisition needs, the IRP will serve four important purposes: (1) it will help City Light optimize the energy efficiency acquisitions it depends on to avoid other near term acquisitions;

(2) in concert with City Light's Transmission and Distribution Capacity Plan, it will provide an opportunity to analyze a variety of approaches to meeting new demand, including "non-wires" resources to meet large discrete new demand for utility services, such as the South Lake Union project;⁷ (3) it will help SCL to identify options for better optimizing use of existing resources; and, (4) it will allow SCL to develop the necessary resource planning staff capability and other resources to evaluate long-term resource opportunities on an ongoing basis. All these purposes, and especially the resource optimization potential, could provide City Light with significant near term revenue gains and/or cost savings.

We report in passing that City Light decided in 2004 not to exercise its renewal option on the Klamath Falls contract. Given increasing supplies from Bonneville coming on line in 2006, the Klamath output was simply not needed, even under the 95% Coverage Policy, except for two months in 2006, for which City Light is developing affordable contingency plans. The Board concurred in the Klamath decision.

Another element of resources planning for City Light involves taking into account the transmission constraints that plague the Pacific Northwest. In our First Report, the Board recommended that City Light consider becoming more actively involved in regional planning processes, such as Grid West. Active participation might contribute to improving the long-term transmission resources available to City Light and contribute to the creation of a market for ancillary services that City Light could provide, at a profit, to the region.

The Superintendent has given serious consideration to our recommendation. He has met with Bonneville and other Grid West sponsors, as well as with policy makers in the City, and the Superintendent has committed City Light to working more closely with the Grid West process. In parallel with the Grid West process, City Light intends to stay closely involved in the work of the Transmission Issues Group, a group that is evaluating near-term solutions to the region's transmission issues.

⁷ "Non-wires" resources include load management, targeted energy efficiency, distributed generation, etc.

The Board continues to support greater involvement by City Light in the Grid West process.⁸ Grid West will proceed with or without City Light’s involvement. Given our vital interests at stake and our ability to influence the Grid West deliberations without committing to formal membership or submitting to FERC jurisdiction, City Light’s greater involvement can only benefit Seattle.

Become a High Performance Organization.

None of the other recommendations of our First Report will have lasting effect unless City Light itself becomes a more effective organization – truly capable of achieving its long-range goals, executing its strategic initiatives, and meeting its operating targets. For this reason, arguably the most important – and perhaps most difficult – recommendation in the First Report was that City Light should become a “High Performance Organization” – an enterprise that sets clear goals, empowers its people to achieve them, and holds itself accountable for success or failure.

As we said in that Report:

“While asking its customers to help finance the reduction in City Light’s debt, it is appropriate for City Light to strengthen its organizational capability to run its \$800 million business more efficiently and innovatively in order to deliver value to its owners, the City of Seattle and its citizens. A high priority should be attached to restoring both the financial strength and rate advantages of public power that were eroded by the recent crisis.

But, the goals of becoming a High Performance Organization go beyond achieving financial stability and lower rates. They include providing excellence in customer service, including system reliability, as well as minimizing the environmental and social impacts of its operations – and all the other public policy objectives the City of Seattle seeks to achieve through its municipally owned utility.”⁹

⁸ Board Member Randy Hardy has recused himself from participating in any Board recommendation on Grid West since he has been retained as a consultant to advise BPA on this subject and wanted to avoid even the appearance of a conflict of interest.

⁹ First Annual Report at 28-29.

While not intended to limit the scope of such an effort, we made some specific recommendations that we felt were critical to success, including: annual strategic planning; improved financial management; performance metrics reflecting a “balanced scorecard” of the utility’s key goals; more external focus on utility “best practices”; improved productivity in operations and cost-effectiveness in capital investment; and increased focus on organizational effectiveness and human resource development. The response of the people of City Light and the Superintendent to these recommendations has been very positive.

- ***Employee Survey.*** Early in 2004, City Light conducted an all-employee survey, with nearly 75% of the work force responding. In their responses, the people of City Light expressed pride in their work and in City Light. At the same time, they demonstrated a strong desire for improvement in leadership, organization and culture. This reflected a broad consensus within the utility itself that City Light needed to become more of a high performance organization not only to meet the needs of its customers and the City, but also to create an empowered workplace to attract and retain the best people.

One of the first actions of the new Superintendent was to embrace the Employee Survey as a key element in the framework for transformation of City Light to a high performance organization. The survey results were communicated and discussed among all employees. Employees were given opportunities to follow-up and to contribute to the development and validation of the “Ideal Culture” that employees seek. Twenty-five employees from all parts and levels of the organization were constituted as an “Employee Strategy Team” to develop specific recommendations on culture and work environment that would move City Light in the direction of becoming a high performance organization.

- ***Organizational Priorities and Work Plans.*** At the same time, working with the leadership team at City Light, the Superintendent developed Organizational Priorities and Work Plans, which set out a program to meet the expectations of the Mayor and Council and to respond to the recommendations of our First Annual Report. Organized around the four themes of Serving Our Customers, Supporting Our Workforce, Managing Risk and Reliability, and Creating Financial Strength and Stability, the document “identifies a myriad of planning efforts needed to take place and be integrated to create a unified utility, clear in its direction and focused on results.” The major initiatives outlined in the work plan include: creating a human resources strategic plan, initiating

periodic strategic and integrated resources planning, improving risk management, and improving operational performance and investment decisions. The Organizational Priorities and associated Work Plans provide a structure for accountability at City Light intended to permeate the entire organization, starting with the Superintendent.

The Advisory Board has reviewed the Organizational Priorities, and we are impressed with the breadth and depth of the thinking and judgment that went into them – as well as with the magnitude of the tasks outlined in the work plan. We believe that the Superintendent’s Organizational Priorities are responsive to our recommendations regarding a high performance organization at City Light, and we will continue to work with the Superintendent and the leadership team at City Light on the key initiatives of his work plan.

- ***Organizational Change.*** Late in 2004, the Superintendent announced a major change in the organizational structure of City Light. The remainder of the organizational redesign work will be completed in 2005. The Board enthusiastically supports the Superintendent’s effort to make City Light more efficient and help the utility focus more strategically on the four key elements of its work: producing power, serving customers, managing its finances, and supporting the utility’s workforce. We recognize that these changes present a major time and resource commitment of City Light’s leadership and we will lend appropriate assistance to the substantial challenges that lie ahead.

- ***Regional Leadership.*** A distinguishing characteristic of a high performance organization, and an important priority for the Advisory Board, Mayor and City Council, has been the expectation that City Light would resume its traditional position as a leader in Northwest energy affairs. The Board is pleased to note several instances of such renewed regional leadership over the past year. The Superintendent has spoken at several regional and national electric industry conferences.¹⁰ As mentioned earlier, SCL has become an active and constructive participant in Grid West. In addition, City Light has helped to

¹⁰ Sara Patton particularly expressed gratitude for the Superintendent’s willingness to make one of his first regional speeches at the NW Energy Coalition’s November 2004 Conference.

formulate Bonneville's future role in the region and the Northwest Power and Conservation Council's fifth power and conservation plan. City Light has been a catalyst for pulling together Bonneville and other Puget Sound utilities in a new, innovative approach to improve this area's transmission system reliability. The Board expects City Light's role as a regional leader to continue in 2005.

- ***City Oversight.*** Under the heading of "High Performance Organization" in our First Report, the Board recommended that the City and City Light should work together to strengthen the City's oversight of the utility. We suggested there should be a review of the existing systems and policies used by the City for controlling City Light to determine whether different approaches could enhance both City Light's performance and the City's oversight of the utility.

The Ordinance creating the Advisory Board requires us to set forth our recommendations on the future governance of City Light at the end of our three-year term. The Board devoted a considerable amount of time and attention to this issue during 2004, including numerous interviews with Seattle officials and four "best practices" missions to other public utilities across the nation.¹¹ Although our research and analysis remain preliminary, we hope to submit our initial recommendations by early summer of 2005. Our final recommendations will appear in our 2005 Final Report.

III. Expectations and Priorities for 2005

The Board expects that the initiatives launched in 2004 under the Superintendent's Organizational Priorities will yield substantial and concrete results in 2005. By the end of 2005, City Light should have a clear mission, goals, policies and strategies that enjoy consensus support from the Mayor, the City Council and the leaders of City Light. There should be agreement about the future direction of City Light and the metrics for measuring its success. The Board's priorities in 2005 will substantially overlap with the Superintendent's, and we expect to devote our attention to those initiatives for which the Superintendent, as well as the Mayor and Council, believe we can be most helpful. We expect that these will include the following:

¹¹ We visited Tacoma Power, Austin Energy, Colorado Springs Public Utility and Jacksonville Energy Authority; we also have conducted informal interviews and gathered information from several other public utilities.

● ***Strategic and Integrated Resources Planning.*** The Board hopes to support these two planning initiatives by serving as a resource of experience and expertise for the Superintendent and his team. We also hope to serve as facilitator of the consensus required within the City for City Light to move forward. We are particularly mindful of the risk that any long-term planning exercise can end up “on the shelf” – not influencing real decisions or operations – and we will work to make sure that these initiatives result in a practical and actionable strategic road map for Seattle and City Light.

● ***Risk Management.*** The outstanding issues surrounding risk management at City Light should be resolved early in 2005. The Board will follow up on these issues, both as a resource to decision-makers and as a catalyst for early resolution. Not only must appropriate risk management strategies be adopted and implemented, but City Light needs to upgrade its internal risk management capability.

● ***Financial Policy.*** The Board will continue to work with City Light, Mayor and Council on the adoption of amendments to the existing Financial Policy to implement the Board’s recommendations to increase cash reserves and reduce City Light’s dependence on long-term debt.

● ***Rates Process.*** The Board will participate in the upcoming 2005 rates process, as requested by the Mayor, Council and City Light. We welcome this opportunity to identify policy and strategy issues arising from this review and to help the Superintendent integrate this exercise into the strategic planning process described above. Finally, in connection with any review of rates, we believe the Board’s highest priority is to make sure that the Financial Policy that governs our short-term rate decisions is consistent with restoring the long-term financial stability and security of Seattle City Light for future generations.

● ***Governance.*** The ordinance creating the Advisory Board directs the Board to provide the Mayor and Council with its recommendations on the future governance of City Light in 2005, the last year of its three-year tenure.¹² We are required to assess the effectiveness of the Advisory Board structure,

¹² Ordinance 121059, January 27, 2003.

to advise whether to continue or modify the Advisory Board, and whether we believe more substantial governance changes should be made for Seattle City Light. These changes could be quite significant and could even require amendment to the Seattle City Charter.

As noted above, the Board has already started to study governance issues by undertaking a “best practices” review of governance and oversight at other public utilities around the country. We will continue our research and analysis of this topic throughout 2005. We expect to offer our preliminary recommendations for discussion with the City’s decision makers and City Light stakeholders by early summer. The Board’s final recommendations will be presented in our 2005 Report.

IV. Conclusion

As discussed above, 2004 has been a year of transition and transformation for Seattle City Light, with a new Superintendent and a huge agenda of major initiatives. We believe these initiatives are well designed to put City Light on the path to become a high performance organization and to meet the other goals, expectations and priorities set out over the past year by the Mayor, City Council, and the Advisory Board. The Board supports the Superintendent’s implementation of these initiatives. We expect to continue in this role as these efforts reach fruition in 2005.

Carol S. Arnold
Randall W. Hardy
Jay F Lapin
Sara Patton
Gary B. Swofford
Donald M. Wise

January 31, 2005

Appendix One

Board Member Biographies

Carol Arnold is a litigator with more than 23 years experience in electric energy and utility disputes. She practices law with Preston, Gates & Ellis, LLP. Carol has tried numerous contested cases in court and before regulatory agencies, including the Washington State Utilities and Transportation Commission and the Federal Energy Regulatory Commission.

Randy Hardy is a former chairman of the Electric Power Research Institute, past president of the American Public Power Association and a previous board member of the Large Public Power Council. From 1991 to 1997, he served as the head of the Bonneville Power Administration, which supplies more than 40 percent of all electricity in the Pacific Northwest. From 1984 to 1991, he served as Superintendent of Seattle City Light and negotiated the successful re-licensing of the City's three major dams on the Skagit River.

Jay F. Lapin brings an important perspective as a former litigator involved in energy issues, and as former president and CEO of General Electric Japan Ltd., Lapin oversaw a division with more than 16,000 employees and \$10 billion in revenues. As a partner with Wilmer, Cutler & Pickering in Washington, D.C., Lapin built a litigation and regulatory law practice that included the practice of energy and environmental law.

Sara Patton is well known throughout the Northwest as an energy efficiency expert and a clean and affordable energy advocate. Patton serves as Executive Director of the NW Energy Coalition (NWECC). The Coalition works for energy efficiency, clean renewable energy, consumer and low income protection in energy decisions and restoration of fish and wildlife harmed by energy. The Coalition has more than 100 member groups ranging from environmental, low income and consumer advocacy groups to utilities, clean energy businesses and unions.

Gary Swofford has more than 35 years experience in the energy industry. He currently serves as General Manager of Swofford Energy Consulting, LLC. Previously, he was Senior Vice President and Chief Operating Officer for Puget Sound Energy (PSE). Swofford has also served as V.P. for PSE in Customer Service and has two degrees, in Electrical Engineering from the University of Washington and in Engineering Economy for Public Utilities from Stanford University.

Donald Wise is currently Managing Director of Asset Services at Metzler Realty Advisors, serves on the Seattle Chamber of Commerce's Utilities Committee, and is a past President of Seattle's Building Owners and Managers Association (BOMA). Wise led that organization's review of City Light's downtown network rate structure. He has also led the building industry's local efforts to promote energy efficiency within commercial real estate properties. Most recently, he helped formulate BOMA International's national energy policy to respect "regional differences" in developing and implementing federal energy policy. Wise has considerable financial and management expertise.

Appendix Two

2004 Advisory Board Expenses

The Advisory Board did not have a budget and Board members do not receive compensation for their services. Four Board members were reimbursed for expenses incurred while participating in the “best practices” review of three out of state utilities. Expenses included food, flights and hotels and ground transport and totaled \$5,020. The Office of Policy & Management did provide part-time administrative and logistical staff support for the Board and provided meeting rooms, supplies, copying, conference calls, parking and meeting refreshments. OPM reports that approximately \$4370 was charged back to City Light in 2004 for this Advisory Board related support.